



IRA A. JACKSON
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Leverett Saltonstall Building
100 Cambridge Street, Boston 02204

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You inquire as to the Massachusetts income taxation of an employee on the cost of group term life insurance provided by the employer. You also request advice on the taxation of an employee on amounts applied under a qualified pension or profit sharing plan for the purchase of a life insurance contract for the benefit of the employee. Finally, you ask how the cost, if taxable, of such life insurance is reported on the employee's Massachusetts personal income tax return.

For federal income tax purposes an employee's gross income includes an amount equal to the cost of group term life insurance provided by the employer, but only to the extent that such cost exceeds the sum of the cost of 50,000 dollars of such insurance and the amount paid by the employee toward the purchase of the insurance. (I.R.C. § 79(a)).

A table of "Uniform Premiums for \$1,000 of Group Term Life Insurance Protection" is used to determine the cost of group-term life insurance. (I.R.C. § 79(c), U.S. Treas. Reg. 1.79-3(d)).

Massachusetts gross income is federal gross income as defined under the Internal Revenue Code as amended on February 1, 1983, and in effect for the taxable year, with certain modifications not here relevant. (G.L. c. 62, §§ 1, 2).

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The cost of group term life insurance provided by the employer is includible in the Massachusetts gross income of the employee to the extent such cost is includible in the employee's federal gross income.

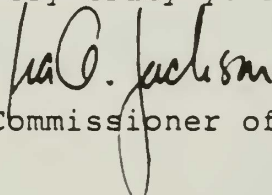
For federal income tax reporting the cost of group-term life insurance taxable to an employee constitutes compensation and is reported as wages on line 7 of Form 1040, United States Individual Income Tax Return.

Massachusetts Individual Income Tax Form 1 directs the taxpayer to enter at line 10, wages, salaries, tips and other employee compensation, the amount reported on line 7 of U.S. Tax Form 1040.

Amounts applied under a qualified pension or profit sharing plan to the purchase of a life insurance contract for the benefit of an employee are includible in the employee's federal gross income for the taxable year or years when such amounts are applied. (I.R.C. § 72(m)(3)(B)).

For Massachusetts income tax purposes amounts applied under a qualified pension plan or profit sharing plan to the purchase of a life insurance contract are includible in the Massachusetts gross income of the employee to the extent that they are includible in the employee's federal gross income. Such taxable amounts are reported as wages on line 7 of the U.S. Tax Form 1040 and thus entered on line 10 of the employee's Massachusetts Individual Income Tax Form 1.

Very truly yours,


Commissioner of Revenue

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